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C O N F I D E N T I A L SECTION 01 OF 03 YEREVAN 000672

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SUBJECT: PRO-KOCHARIAN PARTY BOSS MOVES TO PARLIAMENT, AS  
BEHIND-SCENES POWER TUSSELE CONTINUES

Classified By: CDA Joseph Pennington, reasons 1.4 (b,d)

11. (C) SUMMARY: Outgoing presidential chief of staff Hovik Abrahamian won an uncontested special election for the conveniently vacated parliament seat in his home district. Most observers believe Abrahamian will shortly be elected speaker of the National Assembly, despite the incumbent speaker's public protestations that he is not going anywhere. The move clears Abrahamian out of President Sargsian's immediate office, which is probably what Sargsian most wanted. More broadly, this seems another step in the continuing Kabuki-dance duel between President Sargsian and his predecessor Kocharian for control of government. Of the two, Serzh Sargsian seems far the more constructive to U.S. interests. END SUMMARY

ABRAHAMIAN SOUNDLY DEFEATS "AGAINST ALL" TO WIN SEAT  
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12. (C) Hovik "Mook" (Mouse) Abrahamian, the notorious machine politician who rules his home Ararat region practically as a personal fiefdom, won what had become an unopposed race for a single-mandate parliamentary seat in his home district of Artashat August 24. The seat had been vacated by the resignation of Abrahamian's older brother, Henrik. Two other candidates for the seat -- Grisha Virabian of the minor oppositional New Times party, and Hrant Khachatrian of the tiny Constitutional Rights Union party -- had registered to contest the race, but both dropped out before election day, leaving the field clear to Abrahamian. The widespread presumption is that the two rivals were strongly "encouraged" to withdraw from the race by Abrahamian's faction. To win, therefore, Abrahamian only needed to win more votes than the generic "against all" option, which is required on all Armenian ballots. An "against all" majority result would require a re-run of the race. The Central Election Commission reported that Abrahamian received 33,322 votes, out of some 60,000 eligible voters, while 155 voters marked their ballots "against all."

13. (C) Post had requested accreditation to observe the special election before it became clear that the race would be unopposed. When the Central Election Commission offered two accreditations -- which has not been standard for special elections, and has been denied in the past -- post accepted the offer and dispatched two poloffs to visit polling places for several hours. While only visiting six polling places, we detected a number of election day problems. We overheard pollworkers surreptitiously advising unqualified or fraudulent voters to "come back when the observers are gone." In one case, a would-be voter appeared whose name was marked on the voters' list as having already voted. The pollworker, flummoxed by the observer presence at her elbow, advised the applicant to "try next door" at an adjacent polling place, when the applicant insisted "just put me down next to any name, you're wasting my time." We witnessed a number of high-priced luxury automobiles parked outside rural village polling places. The proud owner of a Porsche Cayenne SUV very seriously told poloff, when asked what he does for a

living, that he sells homemade lemonade. Poloff complimented him on what was clearly a very successful business. The presence of these luxury car drivers -- including the candidate's son, who rolled up in a black Hummer with an entourage following in a Land Cruiser chase car -- in and around the polling places signaled that the candidate's allies and lieutenants were keeping a close eye on the process. Despite this, there was no perceptible sign of heightened tension among the voters we observed.

#### ONWARD TO THE SPEAKERSHIP

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¶4. (C) It is almost universally believed that Hovik Abrahamian's next stop will be the National Assembly speaker's chair. The incumbent speaker, Tigran Torossian, has insisted several times in recent public statements that he has no intention to resign, but intends to stay on for the remaining four year of this National Assembly term. Few believe, however, that Torossian has the political heft to withstand the Abrahamian onslaught. This is especially true if, as seems likely, Abrahamian's move to the speakership was negotiated between the Sargsian and Kocharian camps. Abrahamian is considered a Kocharian loyalist, and Sargsian's priority was most likely to push him out of his position as chief of the presidential staff. We have ourselves seen occasional signs of President Sargsian and his own loyalists feeling the need to circumvent Abrahamian on certain issues. Moreover, there have also been signs that the Presidency staff has simply not functioned very well administratively so far in Sargsian's administration. Sargsian doubtless cannot wait to install his own man to head the Presidency staff.

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Republican Party Secretary Samvel Nikoyan confided to us last week that he was now convinced, based on a recent conversation with President Sargsian, that there is a deal to make Abrahamian the parliament speaker, although Sargsian had not told Nikoyan so explicitly.

¶5. (C) Less clear is whether the speakership will be a powerful perch for Abrahamian or a face-saving sinecure. As the current incumbent, Tigran Torossian has never been thought of as a powerful political player, but simply as a loyal order-taker who saw that the powers-that-be's instructions were duly enacted by the parliament. Abrahamian is a more potent political force in his own right, as a consummate patronage politician, and also seems to have the backing of ex-President Kocharian. However, Abrahamian is thoroughly despised by Armenian voters generally, which makes him unlikely to be as successful as Torossian's predecessor, Artur Baghdassarian, who for a time skillfully exploited his role as speaker to enhance his popular and international standing.

#### OTHER MOVES IN THE GAME

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¶6. (C) Reports of a behind-the-scenes tug-of-war between Serzh Sargsian and Robert Kocharian have come from a number of sources in recent months. We heard, via a reliable third-party source, the comments of a Kocharian relative, who reported that while the "personal relationship" between Kocharian and Sargsian remained warm as of June, "their policy difference are very hard." The fact of a Kocharian-Sargsian struggle for influence and control over the government has become a commonplace view among those knowledgeable about ruling party dynamics. Two different sources in the past month have advised us that Kocharian is scheming to take over as prime minister by the end of 2008, amid predictions that current PM Tigran Sargsian will be pushed out within a few months. Prominent Armenian oligarch Mikhail Baghdassarov told Charge privately that Tigran Sargsian had proved an incompetent manager, and would probably be pushed out within a few months. Baghdassarov predicted glumly that Kocharian was the most likely

replacement, though Baghdassarov still held out hope that someone like British-Armenian Armen Sargsian (a technocrat former Armenian prime minister, who lives in England and reportedly turned down the job before Tigran was appointed) could be found and enticed to take the position. Those observers who know the ruling party best are agreed in their private view that Serzh Sargsian will oppose Robert Kocharian's return to power as Prime Minister as best he can, but many think Sargsian will not be strong enough to resist Kocharian's advances.

17. (C) Sargsian appears to be moving slowly to assert his own control over the government by sacking Kocharian loyalists and replacing them with his own people. The August 20 sacking of the State Tax Service chief, Vahram Barseghian, was the latest instance of a Kocharian ally ousted by President Sargsian. Sargsian harshly excoriated the tax service, and merged it with the State Customs Committee to form a combined State Revenue Service under the leadership of the Customs chief. Both the tax and customs agencies have long been used in Armenia as instruments of heavy patronage, corruption, and political pressure. The powers of the two key revenue generating agencies have been used by Armenian leaders to make and break Armenia's oligarch class, and sit at the corrupt nexus of political and economic power that has undermined Armenian democracy under both President Kocharian and his predecessor Levon Ter-Petrossian. Gaining full control of these agencies -- whether for good or ill intentions -- is an important building block to reinforcing Serzh Sargsian's power base.

18. (C) Another data point is the ongoing relationship between former Armenian Foreign Minister Vartan Oskanian and former Nagorno Karabakh strongman Samvel Babayan. The charming, urbane, and cosmopolitan Oskanian would seem to have nothing in common with the brooding, brutish, and under-educated Babayan, except that both are closely aligned with Robert Kocharian. We are told that Babayan is an almost daily visitor at Oskanian's Civilitas Foundation NGO, closeting himself with Oskanian for hours of private talks. A senior aide to Oskanian admitted to us that Oskanian is in political talks with Babayan over the possibility of forming a new political party. We had first learned of this from the independent opposition figure Vazgen Manukian, who said that he himself was in talks with Oskanian and Babayan to throw in his lot as well. A long-time staunch oppositionist, Manukian would be a third strange bedfellow in this grouping, having been a fierce critic of the Kocharian regime, but his hatred for the now-dominant opposition leader Levon Ter-Petrossian

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seems to trump all for Manukian. The Oskanian-Babayan alliance makes excellent sense as a stalking horse for Kocharian, with or without Vazgen Manukian on board as a fig leaf of cross-partisan unity. Oskanian's personal popularity ratings in Armenia are sky-high, and his international credentials stellar, while Babayan has both personal wealth and Karabakh war hero credentials that would play well with certain segments of the Armenian electorate, despite his fearsome reputation. These stalwarts may have their eyes first on the Yerevan mayor's race, to be contested in late 2009, and from then on the National Assembly elections currently slated for 2012.

EARLY PARLIAMENTARY ELECTIONS?  
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19. (C) An increasingly widespread rumor around Yerevan is the idea of calling early parliamentary elections, perhaps within the next six months. On one side, oppositionists argue, correctly, that the balance of power in parliament is completely out of synch with public opinion and the demonstrable popular support for ex-President Levon Ter-Petrossian (LTP). In fact, LTP spokesman Levon Zurabian conveyed to polchief on August 22 LTP's new position that he would be satisfied if the government announced new

parliamentary elections, in which case he would stop questioning President Sargsian's legitimacy or calling for his resignation. LTP urged that the U.S. push this idea with the government, but did not want it known publicly or by government officials that the proposal came from LTP or the opposition. Meanwhile -- and more significantly -- there has been talk of early parliamentary elections among observers close to the government. This theory holds that the current parliamentary majority and governing coalition are too heavily tilted toward Kocharian loyalists, and that Sargsian may call snap parliamentary elections to kill two birds with one stone: first, to bolster his democratic credentials at home and abroad, and second, to lock in his personal control over the governing coalition by ousting the Kocharianites. Obviously, Sargsian would only do this if he felt secure in his ability to defeat both the opposition and the Kocharian clan, and hold onto a working majority in the parliament.

#### COMMENT

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¶10. (C) Based on the limited evidence of Serzh Sargsian's administration to date, our conclusion is that Serzh Sargsian is a more constructive and progressive leader than Robert Kocharian. Kocharian's return to power as prime minister would represent a significant setback for democracy, for Turkish reconciliation, for reaching an NK settlement, and other U.S. policy concerns. It would also probably signal a government that is at war with itself internally, with divided leadership. Throwing U.S. support behind Serzh Sargsian remains problematic, however, given the tainted record of his election, the human rights violations of March 1-2, the continued problem with political prisoners, the lack of media freedom, and continued lack of democratic legitimacy. The Sargsian administration remains in failing-grade territory on democracy benchmarks. Our sense, however, is that many Armenians -- even among some opposition supporters -- have been pleasantly surprised by the few positive steps that have been made at government reform, and are now willing to give the new administration a chance. The highly-publicized fight against corruption in Customs and Tax has been well-received, as was Sargsian's pick for a new national police commander. The parliamentary commission of inquiry into the March 1-2 event, chaired by Sargsian's loyal lieutenant Samvel Nikoyan, has been surprisingly forthright and provocative in exposing inconsistencies in the police version of events. These are some positive steps to build on. There may be an opportunity to work with Sargsian, and encourage him to accelerate necessary democratic and human rights reforms, in exchange for warmer signals of U.S. support for his leadership.

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